

**SPEECH BY MR GAN KIM YONG, MINISTER FOR MANPOWER
AT THE CPF LIFE ROADSHOW ON
5 SEPTEMBER 2009, 11:10 AM AT WEST MALL**

Mr Koh Yong Guan, Chairman of CPF Board

SPS Hawazi Daipi

Board members of CPF

Members of the National Longevity Insurance Committee

Ladies and gentlemen

The Prime Minister in his National Day Rally in 2007 spoke about a national longevity insurance scheme to address the challenges of increasing life expectancy and an ageing population. The National Longevity Insurance Committee chaired by Prof Lim Pin was then formed to look into this, culminating in the proposed CPF LIFE scheme. CPF LIFE provides members with a monthly income from their drawdown age for as long as they live. This is a major improvement over the current Minimum Sum Scheme (MSS for short), which provides monthly payouts for just about 20 years. MOM and CPF Board have been working over the last two years to design the scheme. We have consulted widely, including with the Committee and industry professionals. The CPF Act was amended earlier this year to give effect to the setting up of CPF LIFE.

2. I am pleased to announce that from this month, the CPF Board will begin to offer CPF LIFE to older members born in or before 1954. This is in response to requests from older CPF members who would like to join CPF LIFE ahead of 2013, when it will be implemented for all members turning 55. This first phase of CPF LIFE will be on a voluntary opt-in basis.

3. The choice of CPF LIFE plan is an important decision. To help members make the most appropriate choice, we have simplified CPF LIFE into just four plans. The four plans are the LIFE Balanced Plan, LIFE Basic Plan, LIFE Plus Plan and the LIFE Income Plan. In deciding which plan is most suitable for you, the questions to ask are: do I want to leave something behind for my loved ones when I pass on? And what is the monthly payout I want? There is a trade-off between the two. Bearing in mind that the more I receive each month, the less I will have to leave behind. The LIFE Balance Plan provides a reasonable level of monthly payouts while leaving behind a moderate bequest amount. The LIFE Basic Plan provides for a higher bequest amount at the expense of lower monthly payouts. The LIFE Plus Plan on the other hand gives you a higher income but lower bequest amount. The LIFE Income Plan offers the highest monthly income but no bequest amount. These four plans will meet the needs of most members. Details of the Plans can be found in the CPF LIFE Information Booklet and on the web.

4. Ultimately, the more savings you have in your Retirement Account, the more you will get out of CPF LIFE. Those who desire higher payouts can also get their family members to top-up their CPF savings. We have progressively liberalised the Minimum Sum Topping-Up Scheme in recent years to facilitate family support. I encourage children to make top-ups for their parents to help them participate in CPF LIFE.

5. To help members understand CPF LIFE better and facilitate opt in, the CPF Board is stepping up its outreach and education efforts. There will be roadshows at CDC events, grassroots talks and a media campaign. At the individual level, members eligible for the opt-in phase will soon receive information packages in the mail with invitations to sign up. Younger members born between 1955 and 1957 will be notified about

the opt-in scheme when they reach 55. Members can call the CPF LIFE hotline at 1800-LIFE-CPF (i.e. 1800-5433-273) if they need assistance.

6. The Government will also provide a LIFE-Bonus of up to \$4,000 to eligible members who opt in. This will help those with lower CPF balances to enjoy higher monthly payouts under LIFE. Members who have reached their drawdown age could receive their first payouts from CPF LIFE as early as January 2010.

7. It is important for retirement income not to be too volatile so as to have greater certainty. For many members, CPF LIFE payouts could be their main source of income when they retire. It is therefore important to have more stable CPF LIFE payouts. To achieve this, interest rate earned by CPF LIFE Funds must be stable too.

8. CPF LIFE monies will be invested in special Government bonds and will continue to earn an interest pegged to the yield of the 10-Year Singapore Government Securities + 1% to reflect the long term interest rate. However, to achieve greater stability, these special Government bonds will now have coupon rates fixed for a longer period rather than being adjusted quarterly as is the present practice. CPF LIFE Funds will earn the weighted average interest rate of the entire portfolio of bonds, so that every member will enjoy the same rate. Monies in the Retirement Account will also be treated similarly as they are also retirement monies and would benefit from more stable returns

9. Let me now turn to another issue related to CPF returns. Since January 2008, the Special, Medisave and Retirement Accounts interest rates have been pegged to the yield of the 10-Year Singapore Government Securities plus 1%. As part of the transition, the 4% interest rate floor on SMRA accounts was maintained for 2 years up to December this year. Since

then, and in particular over the last year, interest rates have dropped to an unusually low level, affected by the weak economic conditions. Without the 4% floor, the computed interest rate on SMRA funds for the fourth quarter of 2009 would be 3.4%. The rate is not likely to improve significantly by the first quarter of next year.

10. In light of the global economic conditions and exceptionally low interest rate environment, the Government has decided to further extend the 4% interest rate floor on SMRA funds for another year, up to the end of 2010. CPF LIFE and Retirement Account monies will also enjoy this benefit.

Conclusion

11. Singapore has attained one of the highest life expectancies in the world. However, sufficient financial provision is necessary to ensure that retirement is enjoyed and not endured, and to make longevity a true blessing and not a source of worry. That is the main reason we encourage workers to continue working beyond retirement age of 62 and we will be introducing re-employment legislation by 2012. This will help older Singaporeans to stay active and save more for their retirement. With monthly payouts for life, CPF LIFE is a major milestone in the enhancement of financial security for Singaporeans after they retire eventually. Together with other existing CPF schemes, CPF LIFE will enable Singaporeans to better enjoy retirement and have peace of mind in their golden years.

Thank you.